

**STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES
MARCH 2005**

Date: April 27, 2005

To: All Civil Service/Exempt Departments

From: State Controller's Office
Don Ward, Operations Manager
Personnel/Payroll Operations
(916) 322-8805

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the March 10, 2005 Personnel/Payroll Committee (PPRC) Meeting and provides information for the May 12, 2005 meeting.

We would like to thank those department representatives that participated in the March meeting for their time and effort. There were 37 representatives from 25 departments that participated in this meeting.

Personnel/Payroll Review Committee
March 10, 2005 Meeting Notes

Don Ward called the meeting to order at 1:30.

Departments represented:

California Housing Finance Agency, California Integrated Waste Management, California Highway Patrol, California State Library, Consumer Affairs, Corrections, EDD, Emergency Services, Financial Institutions, Forestry, Franchise Tax Board, General Services, Health and Human Services Data Center, Health Services, Lottery, Motor Vehicles, Peace Officers Standards & Training, Personnel Administration, Social Services, State Controllers Office, State Teacher's Retirement System, Teale Data Center, Toxics Substances Control, Water Resources and Water Resources Control Board.

Old Business:

None

New Business:

Agenda Items
Distribute Handout Materials
Approve Prior Meeting Notes
Guest Speakers
SCO Update
Department Issues/Concerns
Confirm Next Meeting Agenda, Time and Place

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Discussion:

Approved January 2005 meeting notes.

Guest speaker: Pat Quinn, Manager 21st Century Project. We are very close to procuring the software for the 21st Century Project. We have the final bids in-house and are in the process of evaluating and validating the proposals. We anticipate making a decision in April 2005.

Once the software selection has been made we will move forward into the process of selecting a systems integrator. Also, once the software has been chosen, we will schedule department stakeholder meetings, and provide system demonstrations of the selected software product.

We are also in the process of establishing a 21st Century Project Liaison at each department. The liaison will be a central point of contact between SCO and the department. Department liaisons can be designated on the 21st Century Web site. Currently, 74 departments have completed these designations.

In late March a survey on benefits will be distributed to departments through the designated department liaisons. Departments will be able to update a questionnaire and electronically submit responses back to the project team.

Estimated schedule for roll out of the new system is:

Employment/Payroll/Employee Self Service	Summer 2007
Position Management	Summer 2008
Time Keeping/ Leave Accounting	Summer 2009

Guest speakers: Vicki Korach and Bob Curry; SCO's Project Management and Analysis Bureau (PMAB) gave a brief presentation on the new State Disability Insurance (SDI) benefit that is a result of collective bargaining agreements with SEIU/CSEA.

SDI will be implemented in September 2005. Deductions will be applied to all SDI eligible payments earned in the September 2005 or later pay period with an October 1, 2005 or later issue date.

SDI is fully employee paid; there is no employer share. The current SDI contribution factor is 1.08% of most pay issued to covered employees. This factor is subject to change at the beginning of each calendar year. The contribution is not taken on a pre-tax basis.

All rank and file employees in SEIU/CSEA Bargaining Units are required to participate in SDI upon implementation per an agreement reached between SEIU/CSEA and DPA.

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Eligible employees must pay into SDI for 6 months before receiving benefits. Employees are eligible to receive up to 52 weeks of non-taxable benefits at a weekly benefit amount of 55% of their pay or a maximum of \$857.00. The weekly benefit amount is subject to change at the beginning of each calendar year.

During the initial SDI implementation period (September 2005 through February 2006 Pay Periods) employees are eligible to participate in NDI during the initial 6-month waiting period. After February 2006, all newly eligible employees will not be able to participate in NDI while serving the 6-month waiting period.

All payment types except 5, 6, D, E, J, K, L, N, P, T, U, and I are subject to SDI withholdings. Deduction Codes 354-001 and 354-020 (FLEX CASH) are always subject to SDI regardless of payment type.

PMAB is working with a task force comprised of staff from DPA, EDD and SCO to identify issues related to SDI implementation. DPA intends to distribute a PML on SDI this spring.

Question: How many months of Health/Vision/ Dental is an employee covered for under SDI?

Answer: The employer will pay a maximum of 12 weeks of benefit coverage, or the period of time the employee is entitled to under the FMLA provision. If an employee is not entitled to FMLA benefits, the employee will pay the entire cost for their own benefits.

Question: Are fringe benefits subject to the SDI contribution deduction?

Answer: Yes, both fringe benefits and employee business expenses are subject to SDI.

Question: If both spouses are state employees, and the spouse who carries the benefits goes on SDI, will there be a Permitting Event? In this way the benefits could be switched to the other state employee.

Answer: Defer to DPA for response

Question: If the employee going on SDI has Flex cash, will that continue while the employee is off on SDI?

Answer: No

Question: What provisions are being made for Rank and File employees who are on the Annual Leave Program? These employees have suffered the loss of 4 hours of leave in order to be able to supplement NDI.

Answer: Defer to DPA for response

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Question: Do we know who will be telling the SEIU/CSEA members about all the issues surrounding SDI? It appears there are many negatives, of which the employees may not have been made aware.

Answer: Defer to DPA for response

SCO Update:

Garnishments: We shared a sample copy of the revised Garnishment STD 639 form. After the new form is released, we will accept the old forms for a few months but once the allotted time is up, the new revision will be required. A Payroll Letter will be going out soon.

AR pilot: All the participants in our AR Pilot have indicated that the new process of SCO establishing certain overpayments as agency collection worked well and saved them valuable time. Two of the departments participating in the pilot were in attendance and concurred. Based on these results and an agreement with the PPRC members, we will bring it up at the Transactions Supervisors Forum next week for their approval to implement statewide.

View Direct: We are in the process of adding several reports to the View Direct system. These reports include: the Periodic Position Control Report, the Probable Vacant Report and the Final Vacant Report.

Premium Pay Reminders: When submitting documents to the Premium Pay Unit, the Earnings Id (EID) must be complete. If only the payment type, 8, S, or 9, is shown, it does not provide sufficient information. As such, we must call for this information as many times an employee has multiple payments with the same payment type.

General Payroll Reminders:

- Please be very careful when keying to PIP. We are receiving large 674 packages requesting transfer of funds due to PIP keying errors. Specifically, we are asked to transfer funds because the batch was keyed in the wrong pay period and the pay has released. It is extremely important that you enter the correct pay period when keying to PIP. We are pursuing a system change to help prevent this from occurring, but programming resources are not currently available.
- Remember, when you are completing a 674 to request an adjustment to one specific payment in a pay period, you do not have to show us all payments in the pay period. You must show us everything related to the one specific payment type, but nothing more.
- If regular pay has issued and then a separation is posted indicating that some of the regular pay should be transferred to lump sum, please DO NOT send a 674 documenting this. As we work our daily system messages resulting from PAR transactions, we will see these and do the transfer without further documentation from you. Please refer to the March 2004 PPRC meeting notes.

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- Separations with special handling for lump sum and Savings Plus withholding and or lump sum deferral for time extending beyond the November pay period:
- An employee who requests a deferral of lump sum pay to the next calendar year may also request deferral to Savings Plus in that calendar year. As such, it is very important that you and your employee are aware of the Savings Plus maximum deferral amounts for the specific tax year. If there are questions, employees should contact DPA, Savings Plus for assistance. Also, if your employee requests to defer payment to the next calendar year, you must initiate action immediately after January 2nd of the new calendar year. You are still required to meet specific deadlines to remain in compliance with AB 2410 and AB 1684. Refer to DPA PML 2002-065 and Personnel Letter 02-025.

Deductions Reminders:

- Please forward your employee's Savings Bond Form STD 242 to our office as soon as possible. We are receiving calls from employees who indicate they have turned these forms in to their Human Resources office; yet, we do not have them in house. This is especially important for 'undeliverable bonds'. We send notices out in an attempt to locate the bond owner/purchaser and the only method for an employee to correct the mailing address for savings bonds is via the STD 242.
- We are receiving calls requesting that we reverse Accounts Receivable that we originally set up more than three years ago. We would like to ask that you review ARs when they are established and let us know as soon as possible if there is a problem. Specifically, the ARs we are being asked to reverse are usually for benefit related deductions. After three years, we run into Statute of Limitations problems and reversing these old ARs becomes very problematic.

Garnishments Reminders:

- If you have a question regarding the actual garnishment warrant, please contact Administration and Disbursements Division at (916) 323-5161.
- If you have questions regarding court orders, please contact the serving agent. We cannot respond to these types of inquiries.
- Please do not contact us to verify our receipt of your FAX documents. Master payroll cut off is a very busy day and we do not have staff available to search through the documents to verify that what you Faxed has been received.
- Noon on master cutoff is the deadline for faxed garnishment documents. We will make every effort to process everything we receive, but the later you wait, the more chance that your document will not be processed for master.
- Once a document is sent via FAX, please do not re-send it. We have situations where we have returned up to four duplicates sent via FAX. This does not help the process and costs us valuable time when trying to meet cutoff deadlines.

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- If you receive a garnishment early in the month and wait until master cutoff to FAX it to us and then realize you have received a cancellation of that order that you also FAX to us on cutoff; **the cancellation will not work**. The system is not designed to read a deduction set up and cancelled in the same cycle. This may result in unwanted garnishment deductions for your employees.

W-2 Reminders:

- Please be sure that you have forwarded any 'undeliverable W-2s' to your employees.
- Continue to stress the importance of your employees maintaining valid mailing address information to avoid delays. This is a very important reminder for employees who may be retiring/separating early in the year. Their W-2 for 2005 won't be released until early January 2006 and if they move, you need to have the correct address information. The department should request and key an EAR if the retired employee moves.

Disability Reminders:

- Use STD 674D for all requests when the employee is on IDL or NDI status. The 674D must be submitted for all payment and adjustment requests unless the pay is not included with IDL, see PPM Section G. We have noticed an increase in the use of STD 674s being submitted for adjustments to other pay when there is IDL or NDI in the pay history. When a STD 674 is used in error, the documents are routed to the Payroll Units first and subsequently forwarded to the Disability Unit. This causes delays in processing.
- Use STD 674 with remarks section formatted for Temporary Disability (TD) for employees on TD status. Refer to PPM Section E 311 for completion instructions and PPM Section Z, Attachment E-3 Samples. This STD 674 must be used for both payment and adjustment requests. It is important for the remarks section to be completed in full, especially the SCIF Daily Rate and dates and hours worked while on Disability. STD 674s are being submitted requesting regular pay for an employee working while on TD (without the remarks section formatted for TD). The SCIF information is necessary to ensure that an employee doesn't get overpaid while dates and hours are necessary to verify the accuracy of the payment request.
- To change the method of collection for a Disability Accounts Receivable (AR); please write: "Disability Unit" in big bold letters at the top of the STD 674AR when the AR is for payment type 6, N, T, or U. This will ensure the STD 674AR is routed to the Disability Unit without delay.
- Key any necessary PAR transactions prior to submitting Disability documents for processing.

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- FAX current month Disability payment requests by Master Payroll Cutoff. This allows time for staff to audit and call for corrections before the 1st green cycle.
- Complete "Payment per Controllers" on the form STD 674 when a master has been issued and released. We receive many documents with this field blank.
- Before calling concerning PIP transactions for Disability, please verify the following: be sure that name, position, and salary rate keyed match Employment History, that the SSN was keyed correctly, and that the employee is on proper Disability status.

When leaving a voice mail for the Disability Liaison, be sure to speak slowly and clearly and leave detailed information, such as:

Request for the status of a document; include the date sent, method of sending (mail or FAX), and what type of disability (IDL, NDI, or TD).

Inquiry as to why a PIP transaction did not work; be sure to indicate the SSN, PIP batch number, date keyed, type of pay and the pay period.

Inquiry as to why payment was held by SCO, indicate the issue date of the payment, warrant number, and pay period.

Inquiry regarding ARs, indicate the pay period it was established in and the AR number.

Be sure to also leave your name, department and telephone number.

Common reasons why PIP transactions do not work:

PAR placing employee on Disability status and the Disability pay keyed on the same day or processed in the same cycle.

Employee has the PLP earnings ID locked into their salary.

Earnings ID locked in is not subject to Disability payments (i.e.; 8IWS)

Employee has returned to work or has changed Disability status during the pay period (i.e.; IDL to TD)

Retirement Reminders: When accounts receivable are due because of a change in retirement status, do not send 674s to establish the ARs. PPSD staff will process the ARs, as agency collection, using the normal system output the Unit receives. Once the ARs are established, you may request a change in the method of collection to payroll deduction by submitting a 674 to the Retirement Unit. The ARs to collect retirement amounts are established as Payment Type K ARs and are differentiated by a batch number either beginning with an R or 55###, or by the deduction codes of 003,004, or 006.

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Position Control Reminder: If you need assistance completing 607's, please call the Position Control Unit at (916) 323-4928 or (916) 324-3925.

Direct Deposit Reminders:

All strip calls must be received by 11:00 AM. Any strip calls received after that will be processed as reversals the next day.

After a warrant is stripped, it is the agency's responsibility to have the pay rescheduled, if necessary.

The difference between a "Strip" and a "Cancel":

A **strip** deletes the payment from the EFT file before it is sent to the financial institution. PPSD will process a redeposit in the next payroll cycle. Strips do not cancel the employee's direct deposit.

A **cancel** will remove the employee from Direct Deposit only. It does not delete an incorrect payment from the EFT file.

Reversals take approximately 6 days in total before the agencies will see the redeposit.

The redeposits related to strips are normally seen the following day, except for when they are keyed on a no cycle day.

Agencies should view the pay history screen when they have previously called in a strip/reversal to verify the redeposit. This indicates the strip/reversal is complete.

Master payroll strips can be done from the day after cutoff until 11:00 AM on the day before payday.

Please remember to verify release dates for Roll Codes 2,7, and 8. They are issued on one day but not released until the employee's payday. We are able to strip these payments until 11:00 AM on the release day.

When accounts are closed for any reason after master payroll has been released, we allow the financial institutions 5 working days to either post the funds or return the funds to the Controller's Office.

Please have employees inquire with their financial institution when funds are not posted in a timely manner. Every institution has their own Automated Clearing House (ACH) Department, which deals with all the electronic transfers. They can determine exactly when and where funds were posted or if and when funds were returned.

Questions/Answers:

Question: How long should I wait after submitting a warrant for redeposit before beginning the lost warrant procedures?

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Answer: The Division of Disbursements tries to maintain a 4-day turnaround once the warrant reaches their office. Depending on how long it normally takes for your mail to be delivered to SCO, a week beyond the normal mailing time would be average. Please look at your documentation to be sure you have attached the earnings statement and added the missing digits of the SSN. A call to the Division of Disbursements to verify their receipt of the warrant should be made before instituting the lost warrant process. You may call Teresa Darby at 916-323-5161.

Question: Why does CalPERS not allow us to show the S71 transaction on Employment History if we have posted another type of separation prior to the Disability Retirement being approved? We recently had two cases where our employees were separated; one with an S01 and the other an adverse action prior to receiving the notice of Disability Retirement approval from CalPERS.

Answer: For an employee that has a separation on the Employment History system and CalPERS later approves a Disability Retirement, see the following scenarios:

If the Disability Retirement is effective prior to the date of the existing separation, an S71 is posted.

If the Disability Retirement is effective the same day as the existing separation, an S71 is posted. However, if the employee has an adverse action (i.e. S41) on Employment History and CalPERS approves the Disability Retirement on the same day as the adverse, the department will need to obtain direction from SPB in order for PPSD to replace a permanent adverse separation with an S71.

If the Disability Retirement is effective after the current separation, no S71 is posted, as a separated employee does not need any changes to the separation status. This does not affect the retirement status. If CalPERS has approved Disability Retirement then that is what the employee will receive from CalPERS.

Next Meeting:

The next Meeting is Thursday, May 12, 2005 from 1:30 to 3:30 at:

State Controller's Office
300 Capitol Mall, 6th Floor, Room 635
Sacramento, CA 95814

Listed below are the PPRC meeting dates for the 2005 calendar year. All meetings are from 1:30 to 3:30 at the above location.

July 14, 2005

September 8, 2005

November 10, 2005

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact Don Ward at (916) 322-8805 or via e-mail at dward@sco.ca.gov